

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of the Application of)
HAWAII ELECTRIC LIGHT COMPANY, INC.)
For Approval of a Residential
Efficient Water Heating Program,
Recovery of Program Costs and
Lost Revenues, and Consideration
for Shareholder Incentives.

DOCKET NO. 95-0173

In the Matter of the Application of)
HAWAII ELECTRIC LIGHT COMPANY, INC.)
For Approval of a Commercial and
Industrial Energy Efficiency
Program, Recovery of Program Costs
and Lost Revenues, and
Consideration for Shareholder
Incentives.

DOCKET NO. 95-0174

In the Matter of the Application of)
HAWAII ELECTRIC LIGHT COMPANY, INC.)
For Approval of a Commercial and
Industrial New Construction
Program, Recovery of Program Costs
and Lost Revenues, and
Consideration for Shareholder
Incentives.

DOCKET NO. 94-0175

2001 DEC -4 A 7:49

RECEIVED

ATTEST: A True Copy
KAREN HIGASHI
Chief Clerk, Public Utilities
Commission, State of Hawaii.

K. Higashi

In the Matter of the Application of)
HAWAII ELECTRIC LIGHT COMPANY, INC.)
For Approval of a Commercial and)
Industrial Customized Rebate)
Program, Recovery of Program Costs)
and Lost Revenues, and)
Consideration for Shareholder)
Incentives.)
_____)

DOCKET NO. 94-0176

(CONSOLIDATED)

ORDER NO. 19094

Filed Nov. 30, 2001

At 3:30 o'clock P.M.

Karen Higashida
Chief Clerk of the Commission

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

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Program, Recovery of Program Costs)
and Lost Revenues, and)
Consideration for Shareholder)
Incentives.)

Docket No. 94-0176

(Consolidated)

Order No. 19094

ORDER

I.

The sole parties in these consolidated dockets are:
HAWAII ELECTRIC LIGHT COMPANY, INC. (HELCO) and THE DIVISION OF
CONSUMER ADVOCACY, DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
(Consumer Advocate) (collectively, parties).

By Decision and Order No. 14984, filed on September 12,
1996, the commission approved the following residential and
commercial and industrial (C&I) Demand-Side Management (DSM)
programs proposed by HELCO for a five-year implementation period:

1. A residential efficient water heating program
(Docket No. 95-0173)
2. A commercial and industrial energy efficiency
program (Docket No. 95-0174).
3. A commercial and industrial new construction
program (Docket No. 95-0175).
4. A commercial and industrial customized rebate
program (Docket No. 95-0176).

By Order No. 18242, filed on December 8, 2000, we granted HELCO's request to continue its four existing, residential and C&I DSM programs in Docket Nos. 95-0173, 95-0174 and 95-0175 and 95-0176, described above, for one additional year (from January 1, 2001 to December 31, 2001).

By letter, dated and filed on October 31, 2001, the parties filed for commission review and approval a stipulation (October 31, 2001 Stipulation or Stipulation)¹ to, among other things, temporarily continue the four above-referenced, existing residential and C&I DSM programs until one year after the commission makes a determination in Hawaiian Electric Company, Inc.'s (HECO) next rate case of HECO's revenue requirements in an interim decision and order or a final decision and order, whichever comes first (HELCO's DSM Temporary Continuation Period).²

¹The parties' October 31, 2001 Stipulation is filed in lieu of HELCO filing applications for its new, five-year residential and C&I DSM programs.

²The parties represent that: (1) the temporary continuation of HELCO's four existing DSM programs is consistent with the provisions in the stipulations filed in HECO's C&I DSM Docket No. 00-0169 and HECO's Residential DSM Docket No. 00-0209, respectively; (2) the temporary continuation of HELCO's four existing DSM programs will allow HELCO to continue its successful implementation of these programs; and (3) except for several stipulated modifications, HELCO will continue to offer the same measures and level of customer incentives as are currently being offered in HELCO's four existing DSM programs.

II.

The October 31, 2001 Stipulation provides, among other things, the following agreements, terms and conditions proposed by the parties³:

1. The parties agree to the temporary continuation of HELCO's four existing residential and C&I DSM programs (including certain stipulated modifications, discussed below, to these programs) until the end of HELCO's DSM Temporary Continuation Period.
2. In return for the above, HELCO agrees to cap recovery of lost margins and shareholder incentives based on the existing surcharge mechanism to ensure that such recovery will not exceed HELCO's current authorized rate of return on rate base.⁴
3. The parties agree that HELCO may continue to recover the program costs for HELCO's four existing residential and C&I DSM programs (as modified by the Stipulation) accrued through the date that HELCO's DSM Temporary Continuation Period ends, and that the accrued program costs may be recovered through the existing surcharge mechanism.
4. The parties agree that HELCO may continue to accrue lost margins resulting from HELCO's four existing residential and C&I DSM programs (as modified by the Stipulation) through the date that HELCO's DSM Temporary Continuation Period ends, and that the lost margins accrued until such time may be recovered through the existing surcharge mechanism.
5. HELCO agrees that the continuation of the recovery of lost margins after December 31, 2001 to the date that HELCO's DSM Temporary Continuation Period ends will not allow HELCO to exceed its current authorized rate of return of 9.14 per cent.

³In the October 31, 2001 Stipulation, the parties recognize that the commission is not bound by any agreement reached between HELCO and the Consumer Advocate, and agree "that the [c]ommission may reject the [Stipulation] in full or in part."

⁴By Decision and Order No. 18365, filed on February 8, 2001, in Docket No. 99-0207 (HELCO's last rate case), the commission approved a 9.14 per cent rate of return on rate base.

6. HELCO agrees that it will not seek continuation of lost margins recovery after the date that HELCO's DSM Temporary Continuation Period ends.
7. The parties agree that HELCO may continue to accrue shareholder incentives resulting from HELCO's four existing residential and C&I DSM programs (as modified by the Stipulation) through the date that HELCO's DSM Temporary Continuation Period ends, and that the shareholder incentives accrued until such time may be recovered through the existing surcharge mechanism.
8. HELCO agrees to reflect shareholder incentives earned after December 31, 2001 in the monthly calculation of its operating revenues, beginning effective January 2002 until interim rates are established in HELCO's next rate case.
9. HELCO agrees that the continuation of the recovery of shareholder incentives will not allow HELCO to exceed its current authorized rate of return of 9.14 per cent.
10. HELCO agrees that it will not seek continuation of shareholder incentives after the date that HELCO's DSM Temporary Continuation Period ends.
11. The parties agree to work together to address and resolve to their satisfaction any concerns that the Consumer Advocate may have regarding the methodologies used to calculate lost margins and shareholder incentives by the end of 2001 (e.g., whether HELCO is collecting lost margins for DSM measure installations that would have occurred without DSM programs, and the participant application process for DSM programs). The parties agree that the resolution of these concerns will be used to establish methodologies to calculate lost margins and shareholder incentives to be incorporated in the calculations made from January 1, 2002.
12. HELCO agrees to take the necessary steps to implement any changes ordered or approved by the commission in HELCO's next rate case with respect to program costs within one year from when such costs are incorporated into HELCO's rates as a result of HELCO's next rate case. At that time, HELCO agrees to cease accrual of lost margins and shareholder incentives.

13. The parties agree that HELCO will be allowed to continue the accrual and recovery of its respective DSM program costs, lost margins and shareholder incentives until the changes are implemented through existing surcharge mechanism.
14. HELCO agrees to revise the calculation of shareholder incentives to an ex post basis, commencing with shareholder incentives earned on DSM measures installed in 2001.
15. The parties agree that HELCO will modify its program flexibility provisions with respect to increasing customer incentives if a program is under-subscribed and higher incentive levels would appear to increase customer participation. Moreover, if HELCO proposes to increase customer incentives, HELCO agrees to file a letter with the commission stating the basis for its proposal, requesting commission approval of its proposal. The parties agree that the proposed increase in customer incentives will not be effective unless and until approved by the commission.

Upon review of the record including, but not limited to, the October 31, 2001 Stipulation, we find that, in general, the agreements, terms and conditions proposed by the parties are reasonable and in the public interest. The parties should be mindful, nonetheless, that the commission does have concerns with respect to various aspects of the Stipulation. In particular, despite HELCO's agreement and commitment to not seek the recovery of lost margins and shareholder incentives at the end of HELCO's DSM Temporary Continuation Period or thereafter, we must accentuate our desires that HELCO continue to pursue a responsible balance to meet "near and long term energy needs in an efficient and reliable manner at the lowest reasonable cost" while, at the same time, also providing ample opportunities to ratepayers to strive for energy efficiency through the various DSM programs such as those programs it proposes to implement in this docket. We commend HELCO for its

continuing commitment to make every reasonable effort to comply with the requirements of the framework for integrated resource planning (IRP Framework) since its establishment in 1992⁵, particularly through its aggressive and ongoing pursuits in implementing a number of successful DSM programs. We, however, expect HELCO to have the same level of commitment subsequent to HELCO terminating the recovery of either lost margins or shareholder incentives. Accordingly, in light of the above, we conclude that the proposed agreements, terms and conditions set forth in the October 31, 2001 Stipulation should be approved and made part of this order, subject to certain conditions and modifications described herein and in further detail in section III below.

III.

THE COMMISSION ORDERS:

1. The proposed agreements, terms and conditions of the parties' Stipulation, filed on October 31, 2001, are approved and shall be made part of this order, subject to certain conditions and modifications described herein and more specifically below.

2. HELCO's request to temporarily continue its four existing residential and C&I DSM programs (including certain stipulated modifications, discussed below, to these programs) until the end of HELCO's DSM Temporary Continuation Period, is approved.

⁵See Decision and Order No. 11630, filed on May 22, 1992, in Docket No. 6617.

3. HELCO shall be allowed to modify its DSM program flexibility provisions with respect to increasing customer incentives if a DSM program is under-subscribed and higher incentive levels would appear to increase customer participation. However, if HELCO proposes to hereinafter increase or decrease customer incentives, HELCO shall obtain commission approval prior to implementing any of these incentives.

4. HELCO shall only be allowed to recover lost margins and shareholder incentives accrued through the date that interim rates are established as a result of HELCO's next rate case, and that such lost margins and shareholder incentives accrued until such time may be recovered through the existing surcharge mechanism. If necessary, HELCO may, pursuant to Hawaii Administrative rules § 6-61-23, request to extend the time of such accrual and recovery of lost margins and shareholder incentives for up to a year subsequent to the date that interim rates are established as a result of HELCO's next rate case. Commencing from January 2002, HELCO shall calculate its earned rate of return on its average rate base reflecting both lost margins and shareholder incentives in its operating revenues for the reporting months of June and December. Upon the issuance of this order, and consistent with the agreements, terms and conditions of the Stipulation, if HELCO exceeds its current authorized rate of return of 9.14 per cent on its average rate base determined in its last rate case in 2001,⁶ as a result of its recovery of lost margins and shareholder

⁶See Decision and Order No. 18365, filed on February 8, 2001, in Docket No. 99-0207.

incentives, HELCO shall refund the amount by which its rate of return on average rate base exceeds 9.14 per cent, together with interest. HELCO and the Consumer Advocate shall work together to determine the method of allocating any refund to ratepayers.

5. The Consumer Advocate shall, within 30 days of the issuance of this order: (1) determine the type of data that it deems necessary to monitor the need for a rate case filing, and (2) inform HELCO of such need; and HELCO shall provide the Consumer Advocate with such data in a timely matter to enable the fulfillment of the assessment and reporting requirements set forth below.

6. Within six months of the date of this order and within every six-month period thereafter (until the date that HELCO files its application for a general rate increase or implements any necessary DSM changes ordered by the commission in HELCO's next rate case, whichever comes first), HELCO and the Consumer Advocate shall meet and confer with each other to assess, among other things, the economic and rate impacts, if any, resulting from the implementation of the Stipulation, and HELCO's need to file a rate case.

7. No later than six months from the date of this order, and no later than the last day of every six-month period thereafter, HELCO and the Consumer Advocate shall file for the pertinent reporting period, a joint report which includes, at the minimum:

- a. A summary of the parties' discussions at the meeting held pursuant to ordering paragraph number 6 above;
- b. The anticipated filing date of HELCO's next rate case (based on each party's current assessment of the need for HELCO to file a rate case to, among other things, implement any necessary DSM changes);
- c. An affirmation by the parties that the Stipulation should continue to be implemented; and
- d. A request from the Consumer Advocate, for additional data needed for the next reporting period, if the Consumer Advocate finds that such additional data is required to assess the need for HELCO to file a rate case.

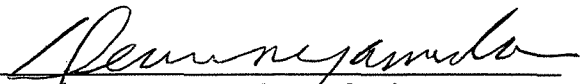
The reporting requirements set forth in this paragraph shall cease on the date that HELCO files its application for a general rate increase or implements any necessary DSM changes ordered or approved by the commission in HELCO's next rate case, whichever comes first.

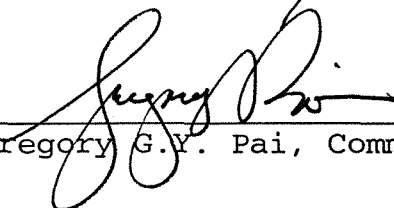
8. If necessary, the Consumer Advocate may file the applicable motions requesting the commission to institute investigations or proceedings for appropriate relief consistent with its statutory powers and duties set forth in Hawaii Revised Statutes § 269-54.

9. The commission, upon its own initiative or upon motion, reserves the right to reopen this docket or open a separate docket at any time to institute an investigation or other proceedings to ensure, among other things, that the electric power consumers or ratepayers affected by the instant proceeding are protected and that the implementation of the October 31, 2001 Stipulation is consistent with the IRP Framework.

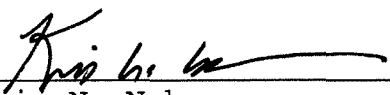
DONE at Honolulu, Hawaii this 30th day of November,
2001.

PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

By 
Dennis R. Yamada, Chairman

By 
Gregory G.Y. Pai, Commissioner

APPROVED AS TO FORM:


Kris N. Nakagawa
Commission Counsel
95-0173.oc

CERTIFICATE OF SERVICE


I hereby certify that I have this date served a copy of the foregoing Order No. 19094 upon the following parties, by causing a copy hereof to be mailed, postage prepaid, and properly addressed to each such party.

DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
DIVISION OF CONSUMER ADVOCACY
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P.O. Box 1027
Hilo, HI 96721-1027



Catherine Sakato

DATED: December 3, 2001